

ST. CHARLES POLICE PENSION FUND

211 North Riverside Avenue
St. Charles, Illinois 60174

MEETING MINUTES

Wednesday, March 5, 2015

11:30 a.m. – St. Charles Police Department

1. President Beam called to order the Regular Meeting of the St. Charles Police Pension Board at 11:34 a.m.

2. ROLL CALL

Members Present: Timothy Beam, President; Michael Griesbaum, Secretary; Warren Drewes, City Treasurer; and Dave Jannusch, Trustee

Members Absent: Chris Minick, Finance Director

Guests: Attorney Rick Reimer , Reimer & Karlson; Jon Willhite, UBS (via telephone)

Due to conflicting schedules, the Board will be going out of order on the agenda.

8. APPLICATIONS FOR BENEFIT

Discuss/Approve Annual Examination & Evaluation – Scott Kern – Reimer reported that Kern is due for his annual examination and currently lives in Florida. Kern signed all the releases for his medical records but has asked if he could be evaluated by someone that is a qualified medical professional in Florida. Since the Board is not familiar with any medical professionals in Florida, they could contact INSPE and see if INSPE can locate a physician to perform an independent examination. Unknown if INSPE works out of Florida. Discussion was held on physician rates to come to Illinois, travel expenses, hearing expenses, having the officer cover costs, maintaining independence, doctor patient privilege, fair and honest assessments, ability of INSPE to locate out of state doctors, setting precedent, etc. Beam stated that he doesn't have a problem working around Kern's schedule and vacation time in Illinois.

Motion: To authorize Attorney Rick Reimer to inform Scott Kern that he must present himself for his annual physical examination in Illinois. The Board will work with Kern to accommodate his schedule.

Maker: Griesbaum

Second: Jannusch

Roll Call: Jannusch – Aye, Beam – Aye, Griesbaum – Aye, Drewes - Aye. 4 Ayes, 0 Nays, 1 Absent.
All in favor. Motion carried.

9. ATTORNEY'S REPORT

Reimer reported a merger and name change effective January 1, 2015; Reimer Dobrovolny Karlson LLC. Dobrovolny practices mainly out of southern and central Illinois with an office in Urbana. Reimer reported they now have offices in Urbana, Springfield, and Hinsdale. The firm now employs 9 lawyers and has recently taken on an additional 20 clients. Reimer will still be the Board's attorney and noted no increase in fees.

The Illinois Supreme Court has accepted the Tier 2 and Tier 1 Pension Legislation in terms of whether or not removing COLA's and other benefits to Tier 1 participants is constitutional. The Circuit Court in Sangamon County found that it was unconstitutional. The legislature fast-tracked it to the Supreme Court and it was accepted. The State filed their brief and 10 amicus curiae briefs (friends of the court) were filed by the Illinois Municipal League, Northwest Mayors & Managers Conference, etc. These 10 amicus curiae briefs were shot down. Oral arguments will be heard on March 11. Additional information should be available within the next couple months.

Reimer reported that the new Governor's transition plan appears to have some good ideas as well as some pretty bad ideas. Page 67 discusses pension consolidations. The Governor's thoughts are that the solution to the perceived downstate police and fire pension fund crisis (perceived) is to consolidate all 640 funds together for one purpose. This has been talked about by democrats and republicans for many years. A study was conducted and the results were that this type of program would cost over a billion dollars. Another problem is that the funds and municipalities that have done the right thing would be paying for those who did not. Do tax payers, whose funds are not in trouble, want to bail out failing funds.

Reimer stated that the State passed a bill that went into effective on January 1, 2015 that no one knew about. This legislation requires that any consultant or manager retained to make minority ownership disclosure. This doesn't mean a fund has to hire someone with minority ownership, an RFP must request disclosure of minority ownership, and any new managers must disclose minority ownership. If it is a mutual fund, this law doesn't apply.

5. OLD BUSINESS

Discuss/Approve Retention and/or Destruction of Records – Reimer stated that the Board cannot destroy any records unless they obtain permission from the State of Illinois. This is done through the State Archives Bureau. Beam reported that someone from the City of St. Charles handles the destruction of all city records. If the Board wishes to destroy records, they will have to contact the State's representative to obtain permission. The Board would need to identify the records they wish to destroy and the State will review this request and then issue the destruction order to proceed. Reimer will forward a list of what records may be destroyed and which records must be kept. That will give the Board a starting point to discuss with the State representative. Reimer noted that if the Board amends its Rules & Regulations, they can add a section on retaining electronic formats.

Reimer left the meeting at 11:50 a.m.

3. APPROVE PREVIOUS MEETING MINUTES

Motion: To approve the minutes of the December 3, 2014 regular meeting with the following correction: On Page 3, remove the word County from Illinois Supreme County Court.
Maker: Griesbaum
Second: Jannusch
Voice Vote: 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

6. PRESENTATION AND APPROVAL OF BILLS FOR DISBURSEMENT

Motion: To approve the Expenditure Approval List dated 03/02/15 (Amendment A) in the amount of \$67,871.49 as presented
Maker: Drewes
Second: Griesbaum

Roll Call: Jannusch – Aye, Beam – Aye, Griesbaum – Aye, Drewes - Aye. 4 Ayes, 0 Nays, 1 Absent.
All in favor. Motion carried.

7. APPLICATIONS FOR MEMBERSHIP

Beam reported that two (2) police officers were hired on December 29, 2014 and have applied for membership.

Motion: To accept Joseph Eversole into the St. Charles Police Pension Fund effective 12/29/2014 as a Tier 2 member.

Maker: Griesbaum

Second: Jannusch

Roll Call: Jannusch – Aye, Beam – Aye, Griesbaum – Aye, Drewes - Aye. 4 Ayes, 0 Nays, 1 Absent.
All in favor. Motion carried.

Motion: To accept Rick Murawski into the St. Charles Police Pension Fund effective 12/29/2014 as a Tier 2 member.

Maker: Griesbaum

Second: Jannusch

Roll Call: Jannusch – Aye, Beam – Aye, Griesbaum – Aye, Drewes - Aye. 4 Ayes, 0 Nays, 1 Absent.
All in favor. Motion carried.

10. NEW BUSINESS

A. Approve 2015 COLA Adjustments – 2015 COLA adjustments were presented to the Board for review.

Motion: To approve the 2015 COLA's as presented.

Maker: Drewes

Second: Griesbaum

Roll Call: Jannusch – Aye, Beam – Aye, Griesbaum – Aye, Drewes - Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

B. IPPFA Conferences – Beam reported that the IPPFA will be holding a Spring Conference in East Peoria in May and a Fall Conference in Lake Geneva in October (Note: Conference is October 6 thru October 9, 2015). Any member wishing to attend should contact Beam as soon as possible because hotels fill up quickly.

4. INVESTMENT ACTIVITIES

Jon Willhite joined the meeting via telephone. He noted that the portfolio is \$392,300 ahead of the portfolio's actuarial rate. In 2014, the portfolio was up 6.31% and up 8.24% since inception. Total managed portfolio value is \$30,589,434. The standard deviation has dropped to 5.2% indicating that the portfolio is not as volatile as it has been historically. Unfortunately, the sharpe ratio has dropped to 1.2%, which indicates the portfolio is not using its risk as efficiently as it could. Discussion continued on the alpha, beta, relative risk, etc. For every \$100 invested, it has grown to \$155 with the Index growing at \$156. Discussion was held on risk vs. reward, capture ratio trend, capturing the up and down markets, etc. Since inception, the portfolio has captured about 90% of the up market and over the last 12 months, 104% of the up market. Unfortunately, the portfolio is capturing more of the down market than desired. Need to review the managers performance to determine what is causing this trend. The last quarter the portfolio was up 0.69%. Willhite reviewed the individual managers. Managers of concern are TCW EM Income Fund and First Trust Sr. Loan FTSL. Recommended consolidating these 2 managers and replacing them.

Also recommended replacing Guggenheim. Included in this discussion were possible replacement managers to include Black Rock Strategic Income and GMO Benchmark – Free Allocation III. Willhite noted that the portfolio is taking on additional risk but isn't seeing the returns for this. Moving from Guggenheim to the GMO will reduce the risk and should provide equity like returns. Black Rock allocates monies to emerging markets, senior loans, high yields, and various fixed income diversifiers, however, they determine how much they will weight each investment based on if something is overvalued or undervalued. They've been very good at keeping the yields and lowering the risk. Discussion continued on returns on possible replacement managers. Questions arose reference the performance of Pimco. Pimco will be monitored for the next few months and discussed at the next meeting. The Board discussed the various options available to include moving all monies to Black Rock and monitoring that investment for a couple of quarters. Miller Convertibles would also be monitored and if necessary, replaced with Pioneer to control risk and produce higher returns.

Motion: To eliminate the Fund's investment in TCW Emerging Markets and eliminate the Fund's investment in First Trust Senior Loan and replace with an investment in Black Rock. Further to eliminate the Fund's investment in Guggenheim Multi Asset and replace with an investment in GMO Benchmark.

Maker: Drewes

Second: Griesbaum

Roll Call: Jannusch – Aye, Griesbaum – Aye, Drewes – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Motion: To reduce the Fund's investment in Pacific Income Advisors by \$375,000 and increase the allocation in GMO Benchmark by \$250,000 and increase the investment in Black Rock by \$125,000.

Maker: Drewes

Second: Jannusch

Roll Call: Jannusch – Aye, Griesbaum – Aye, Drewes – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Discussion was held on the status of the cash flow for the Fund.

Motion: To authorize Finance Director, Chris Minick to work in connection with Jon Willhite to take the necessary steps to provide the liquidity necessary to meet the financial obligations over the next quarter.

Maker: Drewes

Second: Griesbaum

Roll Call: Jannusch – Aye, Griesbaum – Aye, Drewes – Aye, Beam – Aye. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

Willhite will draft up documentation to allow this process to go forward in the future. Willhite noted that Black Rock and GMO Benchmark are Mutual Fund ETF's so no contracts require signing or review from the Board's attorney.

11. MATTERS FROM THE PUBLIC

None

12. ADJOURNMENT

There being no further business, a motion was made by Drewes to adjourn the meeting at 12:55 p.m. Seconded by Griesbaum. Voice Vote. 4 Ayes, 0 Nays, 1 Absent. All in favor. Motion carried.

The meeting was adjourned at 12:55 p.m. The next regular meeting is scheduled for June 3, 2015 at 11:30 a.m.

Respectfully submitted,

President

Secretary